

Market Analysis on the Sri Lankan Spices Exported to Canada



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01. Introduction

Sri Lanka-Canada bilateral economic and trade relations dates back to several decades and both countries have been maintaining closer economic and trade relations. Canada has 37.06 million people and the population has been growing at an average of 0.3% quarterly principally due to immigration. One in five Canadians was born outside the country giving it the largest proportion of foreign born citizens among the G7 nations. The provinces of Ontario, Quebec and British Colombia are the main economic centers.

The spectacular mix in the immigration pattern has led to diversity in terms of consumer preferences. Many products that once sold only at ethnic niche markets are now available in large supermarket chains as well. It is well to remember that there are an estimated 250,000 to 300,000 Canadians of Sri Lankan extraction with high disposable income in its hands. This is a market in itself.

Sri Lanka was able to register a constant positive growth in exports during the past five year, an increase by 43.05%, year on year basis, from USD 199.73 million in 2013 to USD 285.73 million in 2017, while overall imports into Canada from other countries showed negative growth of 6.92% during the same period. Also, imports to Sri Lanka from Canada registered a negative growth by 10.17%, year on year basis, from USD 176.64 million in 2013 to USD 160.32 million in 2017. Overall exports during the same period from Canada to other countries also showed a negative growth of 8.96%.

02. Spices exported from Sri Lanka to Canada

According to Statistics Canada available information, The Spices/Spice Mix products imported from Sri Lanka to Canada falls under the following HS Codes;

- 090411** - Peppers of the Genus Pipe (Except Cubeb Pepper) - Neither Crushed nor Ground,
- 090412** - Peppers of the Genus Piper (Except Cubeb Pepper) - Crushed or Ground
- 090611** - Cinnamon (Cinnamomum Zeylanicum Blume), Neither Crushed Nor Ground
- 090619** - Cinnamon-Tree Flowers, neither Crushed Nor Ground
- 090620** - Cinnamon and Cinnamon-Tree Flowers - Crushed or Ground
- 0907** - Cloves (Whole Fruit, Cloves and Stems)
- 090811** - Nutmeg: Neither Crushed Nor Ground
- 090812** - Nutmeg: Crushed or Ground
- 090831** - Cardamoms: Neither Crushed Nor Ground
- 090832** - Cardamoms: Crushed or Ground
- 091030** - Turmeric (Curcuma)
- 091011** - Ginger: Neither Crushed Nor Ground
- 091012** - Ginger: Crushed or Ground
- 090931** - Seeds of Cumin: Neither Crushed Nor Ground
- 090932** - Seeds of Cumin: Crushed or Ground

090961 - Seeds of Anise, Badian, Caraway or Fennel; Juniper Berries: Neither Crushed Nor Ground

090962 - Seeds of Anise, Badian, Caraway or Fennel; Juniper Berries: Crushed or Ground

091091 - Mixtures of Two or More Types of Spices

*Please be noted that, the MFN Tariff is Zero for the above HS codes.

Report – Spices imported from Sri Lanka to Canada					
Units: Value in U.S. dollars					
	2013	2014	2015	2016	2017
HS 090411 - Peppers of The Genus Pipe (Except Cubeb Pepper) - Neither Crushed Nor Ground					
Sri Lanka	61,875	130,464	120,234	304,470	176,229
HS 090412 - Peppers of The Genus Piper (Except Cubeb Pepper) - Crushed or Ground					
Sri Lanka	80,333	63,823	143,527	456,055	143,457
HS 090611 - Cinnamon (Cinnamomum Zeylanicum Blume), Neither Crushed Nor Ground					
Sri Lanka	57,106	115,655	89,598	173,393	151,402
HS 090619 - Cinnamon-Tree Flowers, Neither Crushed Nor Ground					
Sri Lanka	3,268	16,408	3,241	2,475	1,439
HS 090620 - Cinnamon and Cinnamon-Tree Flowers - Crushed or Ground					
Sri Lanka	90,225	132,193	102,229	241,196	306,144
HS 0907 - Cloves (Whole Fruit, Cloves and Stems)					
Sri Lanka	45,651	61,583	196,799	472,429	214,269
HS 090811 - Nutmeg: Neither Crushed Nor Ground					
Sri Lanka	50,033	27,975	17,791	19,219	15,908
HS 090812 - Nutmeg: Crushed or Ground					
Sri Lanka	81,556	52,648	17,793	25,199	92,795
HS 090831 - Cardamoms: Neither Crushed Nor Ground					
Sri Lanka	17,194	8,147	16,334	20,820	10,589
HS 090832 - Cardamoms: Crushed or Ground					
Sri Lanka	1,748	1,958	6,865	26,680	14,103
HS 090931 - Seeds of Cumin: Neither Crushed Nor Ground					
Sri Lanka	2,450	4,471	1,671	3,124	11,330
HS 090932 - Seeds of Cumin: Crushed or Ground					
Sri Lanka	5,415	2,082	1,954	4,219	745

Report – Spices imported from Sri Lanka to Canada					
Units: Value in U.S. dollars					
	2013	2014	2015	2016	2017
HS 090961 - Seeds of Anise, Badian, Caraway or Fennel; Juniper Berries: Neither Crushed Nor Ground					
Sri Lanka	2,726	1,365	1,340	11,948	4,187
HS 090962 - Seeds of Anise, Badian, Caraway or Fennel; Juniper Berries: Crushed or Ground					
Sri Lanka	463	505	--	836	1,906
HS 091011 - Ginger: Neither Crushed Nor Ground					
Sri Lanka	8,656	6,624	13,830	14,204	32,899
HS 091012 - Ginger: Crushed or Ground					
Sri Lanka	15,580	23,043	18,800	24,027	29,635
HS 091030 - Turmeric (Curcuma)					
Sri Lanka	25,016	42,260	25,908	74,390	73,933
HS 091091 - Mixtures of Two or More Types of Spices					
Sri Lanka	90,050	117,263	322,315	359,419	435,016
Sub-total	639,345	808,467	1,100,229	2,234,103	1,715,986
Others	109,280,441	128,665,083	128,658,383	119,910,027	131,658,888
Total All Countries	109,919,786	129,473,550	129,758,612	122,144,130	133,374,874

Data Source: Statistics Canada

The above products are valued at a total of USD 1.715 Million in year 2017, while the total Canadian imports from all countries are valued at USD 133.37 million in 2017. It is noted that the overall trade statistics for these products have registered an increasing trend from USD 6.39 Million in 2013 to USD 2.23 Million in 2016. At the same time, it is also observed that the export value for the above products from January to August decreased by 2.7% in year 2018, compared to the corresponding period of 2017, while the total Canadian imports also decreased by -6.9% .

03. Market Position in Canada

Sri Lanka among the top 10 countries for the following Spices/Products:

It is observed that the market share for the following spices have a vast potential to expand in the Canadian market.

HS Codes 090411 and 090412: Sri Lanka holds the 10th position among all the countries exporting to the Canadian market for Pepper with an export value of USD 319,686 in 2017, providing evidence that Sri Lankan products are dominating in these categories. Vietnam, India, Brazil, China, Indonesia, South Africa, United States, Ecuador and Singapore are the other countries that are among the top ten exporters. Vietnam, the first of the top ten, exports USD 18.467 Million.

HS Codes 090611, 090619 and 090620: Sri Lanka holds the 5th position among the top 10 countries exporting Cinnamon. USD 458,985 worth of Cinnamon was exported to Canada from Sri Lanka for the year 2017. Indonesia, Vietnam, United States and India are the exporting countries above Sri Lanka. Indonesia, the first of the top ten countries, exported Cinnamon worth USD 3.838 million to Canada.

HS 0907: Sri Lanka exported USD 214,270 worth of Cloves in 2017, while holding the 4th position among the exporters of Cloves to Canada. Indonesia, India and United States are the leading three exporters. Indonesia, the first of the top ten countries, exported cloves worth USD 478,167 to Canada.

HS 090811 and 090812: Sri Lanka exported USD 108,703 worth of Nutmeg to Canada in 2107. Sri Lanka holds the 5th position among the top exporting countries of Nutmeg to Canadian market. Indonesia, United States, Grenada and India are the leading countries. As the leader of the top ten countries exported Nutmeg, Indonesia exported USD 1.300 million worth of Nutmeg.

HS 090831 and 090832: Sri Lanka holds the 7th position among the top 10 exporter of Cardamoms to Canada with an export value of USD 24,692 in 2017. Guatemala, India, United States, China, Honduras and Saudi Arabia are the other countries who are among them. Guatemala exported cardamoms worth USD 2.200 million as the first of the top ten countries.

HS 091030: Sri Lanka is in the 8th position among the top exporting countries of Turmeric (Curcuma) to Canada with an export value of USD 73,933 in 2017. India, Peru, United States, Vietnam, Germany, France and China are the also among the top 10 exporters. India was the leading exporter of Turmeric that is worth USD 3.079 million.

HS 091091 – Sri Lanka exported USD 435,016 worth of Mixtures of two or more types of spice products to Canada in 2017, and holds the 7th place among the top 10 exporters. Pakistan, India, United States, United Arab Emirates, Thailand and China are the exporting countries above Sri Lanka. Pakistan, the leading exporter of the top ten countries exported Mixtures of two or more types of spice products to Canada worth of USD 3.573 million.

04. Trends and Opportunities

According to a recent research report of TFO Canada, Canadians are interested in foods that are fresh, balanced, and have a good nutrient content. They look for foods that have a low trans-fat content, made with whole grains, and that are low in sugar, salt and sodium. When buying, consumers also examine the product to see if Omega-3 fatty acids are present (a positive factor) and if the food is organically grown. The country of origin is also important to half of the consumers surveyed for the report.

Opportunities for new product introductions are taking shape in four separate segments across the North American market where this industry is concerned. Consumers are responding to products which offer health and wellness, packaging for convenience, premium quality/flavour and organic production methods. Increased world travel and exposure to different cultures and a changing population profile, as well as an increased availability of ethnic ingredients have resulted in a shift to exotic flavour combinations.

05. Quality

The Canadian Food Inspection Agency (CFIA) has developed Food Safety Practices Guidance for Spice Manufacturers to provide guidance on potential hazards and other factors that affect product integrity, including composition, compliance with standards and labelling requirements. The guide was developed by CFIA with input from a number of interested parties, including the Canadian spice industry, Health Canada and provincial government representatives, and is being offered to manufacturers as a food safety resource. The FAO/WHO Food Standards Program also provides a Code of Hygienic Practice for Spices and Dried Aromatic Plants which manufacturers can use as a reference for international standards.

Canadian guidelines are available on the use of additives, preservatives, antioxidants (sulfur dioxide), artificial coloring, pesticide, chemical residues, and adulteration of foods. Both the importer and exporter should be familiar with these, since failure to comply can result in fines and possible seizure of goods. Bacterial counts, such as coliform, E. coli, salmonella, bacillus cereus, S. clostridia and fecal streptococci, along with aflatoxins, mould and yeast level/types are strictly limited by Canadian standards in the industry. Any product that is burnt under dehydration, is mouldy or otherwise contaminated will be rejected. Although there are no official food regulations that are specifically applicable to some products imported in bulk for further reprocessing, importers insist that their own requirements concerning bacterial count and residues of foreign matter are satisfied since their clients do their own tests on every batch to confirm that standards are satisfactory. If the standards claimed by the supplier are not corroborated by these tests, the shipment is immediately rejected.

Canadian law requires all food products intended for human use that have been irradiated to be labelled with a flower-like Radura logo. For situations where processing of whole foods is not obvious, the label must also read “Treated with Irradiation”. Bulk or retail spices, herbs or ingredients that have been treated must be labelled with the Radura logo. However, when these ingredients are added to mixtures, processed meats and finished products, and do not exceed 10% by weight or volume, the labelling requirement no longer applies.

Access the **Food Safety Practices Guidance for Spice Manufacturers** website at:

(<http://www.inspection.gc.ca/food/safe-food-production-systems/haccp-generic-models-and-guidance-documents/guidance-spices/eng/1366340448103/1366340494598>)

06. Buyers

The Canadian Importers Database is a useful tool to identify buyers who import foods into Canada. Lists are provided by product, by city location of the buyer, and by country of origin of the product. Finding a buyer requires perseverance and a serious commitment of time, effort, and cost. The appointment of a good local agent or representative is crucial in this competitive environment and exporters should note that different agents may be required to cover separate regional areas. The Department of Foreign Affairs, Trade and Development Canada also provides information to assist non-Canadian businesses, including information on How to Do Business with Canada; Expand or Invest in Canada; and Find a Supplier or Partner.

The **Canadian Importers Database** can be found at;

<https://www.ic.gc.ca/app/scr/ic/sbms/cid/searchProduct.html?lang=eng>

07. Packaging and Transportation

Requirements for customs documentation (invoice, certificate of origin, import declaration form, etc.) are detailed by the Canada Border Services Agency. Since the rate of duty depends on the origin of the product, the certificate of origin is crucial for both exporter and importer. Recently, packaged-food makers have been increasingly using pouches instead of bottles to save on packaging and shipping costs. A well designed pouch with see-through windows and attractive artwork offers a modern and premium image.

08. Labelling

All pre-packaged products require a label. The CFIA Guide to Food Labelling and Advertising provides information on labelling and advertising requirements, policies and guidelines dealing with specific products, statements and claims made for foods. Detailed information must be provided on the retail package regarding the nature of the product, contents, weight, composition, and manufacturer.

Most prepackaged foods sold in Canada are required to be labelled with:

- Common Name
 - Date Marking* and Storage Instructions
 - Dealer Name and Place of Business
 - List of Ingredients and Allergens
 - Net Quantity
 - Nutrition Facts Table
- ✓ This information must be legible and in both official languages (English and French)
- ✓ All information and representations on food labels must be truthful and not misleading. In addition, there may be commodity specific requirements – for example, certain commodities require country of origin labeling.
- * Most prepackaged products having a durable life of 90 days or less must be marked

For further information, please see attached herewith the **TFO Canada Handbook on Exporting to Canada**.